



0000121626

Barbara A. Klemstine
Manager
Regulatory Affairs

Tel 602/250-2031
Fax 602/250-3399
e-mail: baklemstine@apsc.com
<http://www.apsc.com>

RECEIVED
AZ CORP COMMISSION
Mail Station 9909
PO Box 53999
Phoenix, AZ 85072-3999
DEC 21 10 50 AM '98

DOCUMENT CONTROL

December 21, 1998

Mr. Ray Williamson
Acting Director, Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Re: Docket RE-00000 C-94-0165
Residential Phase-In Program

Dear Mr. Williamson:

On September 15, 1998, pursuant to Decision No. 61071, Arizona Public Service Company submitted a Residential Phase-In Program proposal. On October 19, 1998, Staff approved APS's proposal as written. Pursuant to Decision No. 61272, APS is submitting a revised copy of our Approved Residential Phase-In Program reflecting the change in the "Rules" increasing the number of residential customers eligible for direct access.

A copy of this document and the attached letter is being filed in Docket Control for interested parties.

If you have any questions, please contact me at 250-2031.

Sincerely,

Barbara A. Klemstine
Manager
Regulatory Affairs

BAK/srm

Enclosure

ARIZONA PUBLIC SERVICE COMPANY

DEC 21 10 50 AM '98

**DIRECT ACCESS RESIDENTIAL PHASE-IN PROGRAM
IMPLEMENTATION PLAN**

DOCUMENT CONTROL

I. GENERAL DESCRIPTION

The residential phase-in program has been developed to provide a means by which Arizona Public Service Company ("APS" or "the Company") will provide current and new residential customers with the opportunity to procure competitive services from a source other than APS. This plan describes notification procedures, selection, and tracking mechanisms necessary to meet the Arizona Corporation Commission's ("ACC" or "the Commission") requirements as set forth in A.A.C.R14-2-1604 (Rule 1604.)

II. ELIGIBILITY

General

The Arizona Corporation Commission requires that a minimum of 1¼% of residential customers have access to competitive electric services. The number of eligible residential customers will increase by an additional 1¼% every quarter until January 1, 2001. In accordance with these rules, approximately 1¼ of APS' 685,672 residential customers (as of July 1998) or 8,750 residential customers; (the actual number of 8,570 was rounded upward) will be eligible for competitive electric service beginning January 1, 1999. Each subsequent quarter, an additional 8,750 residential customers will be eligible for direct access.

Solar

All residential customers who produce or purchase at least 10% of their annual electricity consumption from photovoltaic or solar thermal energy resources that were installed in Arizona after January 1, 1997 shall be eligible for participation in a competitive market. Customers who provide evidence of such solar or photovoltaic consumption to APS (i.e. an equipment purchase receipt or Energy Service Provider resource statement) will be declared eligible. This will be in addition to the above-mentioned residential eligibility (8,750 eligible residential customers per quarter) and will not be considered as part of the 20% of 1995 system peak demand otherwise eligible for direct access. Solar or photovoltaic customers must also identify themselves as such through their ESP for immediate processing of a service request. APS reserves the right to implement policies to verify and track eligibility of photovoltaic and solar energy resources.

Low-Income Residential Customers

To ensure that low-income residential customers (customers on Rate Schedules E-3 and E-4) have an opportunity to participate in direct access, ½ of 1% of the low-income residential customers (there are approximately 26,000 customers on E-3 and E-4) will be

eligible for direct access and not counted towards the 20% of system peak demand. This results in 150 per quarter or 1,200 in total.

III. Calculation of Reserved Residential Load

Each affected utility is required to make available at least 20% of its 1995 system retail peak demand for competitive generation on a first-come first-serve basis. Twenty percent of APS' 1995 system retail peak demand of 3,725 mW is 745 mW (demands measured at the meter). To calculate the proportion of the 745 mW that must be "reserved" for residential direct access, a system peak coincident demand of 3.30 kW (as estimated from APS' ongoing load survey program) was used for each eligible residential customer. The following calculation was then used to estimate the residential "reserved" portion of the APS load available for competitive generation:

$$\text{Reserved Load} = \text{Total \# Residential Customers Eligible} \times 3.3 \text{ kW}$$

or

$$\text{Reserved Load} = (8,750 \times 8) \times 3.3 = 231 \text{ mW}$$

Where: 8,750 = The number of residential customers eligible per quarter
 8 = The number of quarters between January 1, 1999 and
 January 1, 2001
 3.3 = Average residential system peak coincident demand

The amount of load available for competitive generation for non-residential customers is then 514 mW (745 mW less 231 mW).

IV. PROCESS FOR CUSTOMER NOTIFICATION OF RESIDENTIAL PHASE-IN PROGRAM

APS will implement a notification process to inform all APS residential customers concerning the residential phase-in program. This notification process is designed to inform APS' residential customers concerning the applicable provisions and eligibility requirements set forth in A.A.C.R14-2-1604(B). Based on consumer response, APS will evaluate the appropriate means of ongoing notification during the phase-in period.

Bill inserts will be sent to all residential customers upon Commission review of the Company's Implementation Plan. This bill insert will, at a minimum, contain the following information:

- A. The qualification requirements for residential customers set forth in A.A.C.R14-2-1604(B).
- B. Residential phase-in program direct access eligibility dates.

C. A reply card to request additional information.

D. A phone number for customers to call and ask questions or request additional information.

New residential customers (those connecting service after October 31, 1998) will be notified about direct access through the existing customer kit process used to welcome new customers.

V. CUSTOMER EDUCATION AND INFORMATION SERVICES TO BE OFFERED

Coincident with the bill insert, APS will offer customer education and information services such as online services, media relations, bi-monthly publications, public presentations/forums, direct mailings/bill communications and Spanish translations where appropriate to all APS residential customers concerning competition (including the residential phase-in program).

The information provided on the bill insert and reply form will be available on the APS Internet web site so customers can access and review the notification literature. The web site will identify locations where reply cards are available or customers can provide their name and address on-line and have an information packet sent to them.

Upon receipt of a customer reply card or customer request, a direct access customer information packet will be provided.

A separate direct access phone line in Phoenix has been established to answer questions and handle information requests. The APS Customer Solutions Center 800 number will also be provided to customers as a communication link to answer direct access questions and handle information requests. These phone numbers will be included in bill inserts, advertising, and customer information packages.

VI. SELECTION AND TRACKING MECHANISM FOR RESIDENTIAL CUSTOMERS BASED ON A FIRST-COME FIRST SERVE BASIS

Residential customers will be eligible for access on a first-come first-serve basis. Customers must actually choose an alternative energy supplier and have that supplier submit a request to switch which will be counted. The time that the request to switch is received by APS will be used to establish priority for direct access. The first 8,750 requests that are accepted will have access in the first quarter and any requests in excess will be put on a waiting list for the next quarters prioritized by time received. This selection method has several advantages: 1) it will ensure that access slots do not go unused (only customers committed to choosing an alternate supplier will have access), 2)

there will not be an eligibility list that has to remain confidential, and 3) ESPs will be able to market to the class as a whole rather than only a small segment.

As a result of the ACC workshop process, APS has developed a Direct Access Service Request ("DASR") process to facilitate direct access. This process enables APS to track customer switching to and between Electric Service Providers ("ESPs"), verify customer eligibility during the direct access phase-in period, and provide a timing mechanism to place requests in a sequential order based on the time they were submitted to APS. The DASR will be the mechanism used to track customers on first-come first-serve basis.

To educate ESPs and ensure the process moves smoothly as possible the Company will have an ESP Open House in October. Additionally, an Internet site has been established where ESPs can access information.

DASR Process

Customers wishing to select direct access will contact their preferred ESP. The ESP will then prepare DASRs and submit them to APS. DASRs will be time and date stamped upon receipt by APS to track the order of receipt. APS will respond back to the ESP, on valid DASRs, a DASR status of "accepted" until the remaining slots are filled.

APS will begin accepting DASRs for the first quarter on December 1, 1998. APS will monitor both the number of customers that have effectively switched to direct access and are receiving competitive services as well as the number of DASRs that are accepted and assigned a switch date within the quarter. The quarter will be closed once APS has accepted DASRs for the total number of customers eligible in that quarter.

As the DASRs are accepted, APS will respond to the ESP confirming the change date. Once the quarterly requirements have been filled, all subsequent DASRs will be held in a pending status, establishing a waiting list, until the first business day one month prior to the proceeding quarter. On that day, APS will begin processing the pending DASRs from the waiting list in the order they were received for the next quarter. APS will respond back to the ESP, for valid DASRs, an accepted status as well as assign the next scheduled read date for the switch date.

APS will maintain a waiting list of up to 61,250 DASRs. If the waiting list is full, no further DASRs will be accepted. APS will update the newly created APS ESP Internet site with eligibility and waiting list status. If a DASR is submitted for a first time Direct Access customer and is rescinded before the effective switch date, the customer will not be given preferential treatment over other first time Direct Access customers. An ESP cannot submit changes to a DASR that is on the waiting list. The only action that can be taken by the ESP is a cancellation. Once the DASR is processed and the ESP has received an accepted status, the ESP may then initiate any appropriate changes.

Customers may elect to change ESPs during the phase-in period. The ESP acquiring the customer is responsible for submitting a DASR change. Eligibility follows the residential customer and not the site location (that is, service address.) However, if an eligible

customer returns to a standard offer rate, then they must reapply for competitive eligibility through the DASR process.

VII. LOAD PROFILING

Under FERC Order 888 (Open Access Transmission), APS as a control area operator, requires hourly loads from each Scheduling Coordinator (either the ESP itself or a mutually agreed upon third party) for energy imbalance and settlement. Pursuant to R14-2-1613(I.7) residential customers with loads of 20kW (or 100,000 kWh annually) will be permitted to use load profiling to satisfy the requirements for hourly consumption data. APS will make a revised OAT filing with FERC to accommodate retail direct access. The load profiling methodology will be part of that filing and must be approved by FERC. Each scheduling coordinator's hourly-profiled and hourly-metered loads will be summed for each hour to determine its hourly responsibilities for settlement.

The load profiling process takes the retail customers cumulative kilowatt-hour (kWh) for the billing cycle and allocates it to each hour in the cycle based on a load curve developed from a statically valid sample set that is representative of the retail customer's load.

The allocation process involves:

1. Determining the representative sample set's ratio for each hour, by dividing each of its hourly loads by its total usage for the billing cycle. The billing cycle starts the hour and date that the retail customer's meter was last read and stops the hour and date of the current read.
2. The ratio for each hour is then multiplied by the retail customer's total kWh usage for the billing cycle to obtain each hourly load for that customer.

During the phase-in, APS plans to use two segment sets. These are high country residential and low country residential. Customers will be assigned one of these two profiles based upon the geographic area in which they reside.

Initially these profiles will be static. That is profiled loads will be developed based on the static profile then adjusted to reflect the profiled days system load pattern. The adjustment is needed to reflect changes in the system due to weather and other system conditions. The adjustment will be determined for each hour using the following formula:

$$\text{Adjustment} = \frac{\text{APS current system profile ratio for hour}}{\text{APS historic system profile ratio for hour}}$$

Static profiles will be provided when they are available. APS estimates that by 2001, dynamic profiles will be utilized.